

Institutional Entrepreneurship in Eastern European Transition Economies

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Abstract

Institutional entrepreneurship has gained prominence in the past decade as being a useful theoretical domain in which to examine how small and medium sized enterprises (SMEs) internationalise (Kostova, 2002; Busenitz, Gomez and Spencer, 2000). The institutional environment in terms of normative, cognitive and regulatory dimensions is discussed in this paper in terms of how it affects the international entrepreneurial orientation of small business owners (Scott, 1995). SMEs play an important role in facilitating economic growth and development in transition economies (Ivy, 1997). SMEs can help diversify the economic structure of an economy through employment and innovative activity (Acs and Audretsch, 1993).

However, the institutional environment of transition economies sometimes deters SME internationalisation efforts. The objective of this paper is to theoretically examine how and if an individuals entrepreneurial orientation can change after coming from a communist system of economy to a free market system of economy. Transition economies from Eastern Europe which include Estonia, Latvia, Lithuania, Belarus and Poland are examined through their institutional entrepreneurship programs which affect SME internationalisation success.

Entrepreneurship has been highlighted by academics and practitioners as a way in which to change the economic composition of transitional economies (Spencer and Gomez, 2004). However, despite the practical importance of institutional entrepreneurship for fostering economic growth in transitional economies (Lado and Vozikis, 1996), little research has been conducted on examining whether the internal behavioural characteristics of individual small business owners can be altered through institutional entrepreneurship. This paper discusses whether entrepreneurship is a learned character that can be fostered by government programs aimed at helping individuals internationalise their SME.

The aim of this paper is to examine how the international entrepreneurial orientation of small business owners is influenced by their institutional environment. The paper seeks to address whether there is a predisposition to entrepreneurial activities in small business owners

and whether the institutional environment of a country can help foster entrepreneurship.

The paper has important implications for entrepreneurship theory and practice. First, it examines whether the underlying behaviours of individuals can change at the same speed in which their national economy changes from being a command driven economy to a market based economy. It is often assumed in transition economies that individuals can alter their business activities without government support in terms of finance and training. Second, the role of institutions in helping and hindering SME internationalisation success is examined through an analysis of business activities in Eastern Europe transitional economies.